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21 MAR 1972

SUBJECT: Background for Chilean Hearings

1.

Preparations for the 1964 campaign had begun more than two years earlier during the administration of President Kennedy when the Special Group approved an expenditure

2.

Initially, it appeared that the presidential candidate would be Senator Julio Duran who was backed by a coalition of centrist and rightist parties known as the Democratic Front. By March 1964, by-election results and polls indicated that the Democratic Front was in a state of disarray and that Duran had no chance of winning the presidency. As a result, a new program was approved by the Special Group

3.

Election day, 4 September 1964, produced an overwhelming victory for Frei who won 56.1 percent of the valid votes cast as against 38.9 percent for Allende. Duran received the remaining five percent of the votes.

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4. The September 1970 presidential elections were preceded by many months of intensive politicking to determine who the candidates would be. Mr. Jorge Alessandri quickly emerged as the candidate of the Right, as did Mr. Radomiro Tomic for the Christian Democrats. By early 1970, Allende again emerged as the candidate of the Popular Unity forces. In March to June 1970, the 40 Committee approved [REDACTED] for the Agency to initiate a propaganda program alerting the Chilean people to the dangers of a Marxist Government under Allende. The 40 Committee excluded support to either of the candidates opposing Mr. Allende.

5. It was in this period and context that, at the suggestion of Mr. John McCone, Mr. Broe held his two discussions with Mr. Harold S. Geneen, Chairman and President of ITT, on 16 and 27 July 1970. At the same time the Chief of Station, Santiago had just been contacted by [REDACTED]

[REDACTED] At the first meeting, Mr. Broe turned down a request by Mr. Geneen to have CIA channel "substantial" private business funds to Alessandri and made it clear that the U.S. Government was not supporting any candidates. Mr. Broe did agree that, after consulting with Station Santiago he would advise Mr. Geneen on how ITT might best go about this on its own. His check with the COS, Santiago indicated that [REDACTED] with the advice of the COS, Santiago was already in contact [REDACTED] and had set up a secure funding channel. Mr. Broe so notified Mr. Geneen in their 27 July discussion.

6. The Chilean people went to the polls on 4 September 1970; and Allende came out with a slight plurality (36.3%) over Alessandri (34.9%). On 24 October, the Congress was to choose the President from among these two front-runners; and, traditionally, the Congressional choice had been the individual with the highest popular vote. The prospect of Allende as President had caused some economic disruption

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and coup rumors were abounding. Thus, in late September (29 September), the 40 Committee agreed that strong efforts should be made [REDACTED]

[REDACTED] It was hoped that economic deterioration might have some effect on the Congressional presidential vote by persuading a sufficient number of Christian Democrats to vote against Allende.

7. [REDACTED]

8. Mr. Allende was elected by Congress on 24 October and was inaugurated within two weeks as President of Chile.

[REDACTED] Subsequent 40 Committee authorizations in the period March through December 1971 [REDACTED]

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[REDACTED] The opposition almost split the vote evenly with the Government in the April municipal elections and won all seats disputed in the two Congressional by-elections. Today, Allende finds himself in serious economic trouble while facing an increasingly confident and aggressive opposition.

9. Over the past year, Mr. Broe has had five luncheon meetings with [REDACTED] in charge of the [REDACTED] office. All of these contacts have been at the initiative of [REDACTED] who had been instructed by Mr. Geneen to stay in contact. Discussions at these luncheons did not involve any Chilean proposals but were devoted mainly to the general situation in Latin America at that time. Contact with ITT has also been maintained through a Headquarters officer, [REDACTED]

10. Some of the questions it is anticipated might be raised with the DCI along with suggested answers are the following:

a. What is the relationship of the ITT with the Agency regarding Chile?

-- ITT contacted the Agency in July 1970 and indicated that it wished to put a fairly substantial amount of funds into the Allende opposition camp during the presidential election campaign.

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-- ITT wanted us to handle the funds for them but we refused. The Agency was precluded from supporting any candidate in the election.

-- We did, however, advise ITT concerning the security of their proposed funding channels in order to avoid taking chances on giving Allende an issue at some critical point.

b. How much did ITT put into the Chilean presidential elections?

-- I don't know.

c. Was William V. Broe, an Agency employee, in contact with ITT as reported?

-- Mr. Broe was formerly the Chief of the Latin American Division of the Clandestine Service and is now the Inspector General of the Agency.

The purpose of this policy in that particular situation was to try to persuade the Chilean Congress not to select Allende as president. Because none of the candidates had a majority of the popular vote, the Chilean Congress was to choose between the two leading candidates, Salvador Allende (36.3%) and Jorge Alessandri (34.9%). The

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U.S. business community with interests in Chile was viewed as an important part of this program [REDACTED]

Q When Mr. Broe saw [REDACTED] on 29 September 1970, was he acting under instructions from you?

A Yes. Mr. Broe indeed was instructed to see [REDACTED] with a view to ascertaining what U.S. business with interests in Chile, including ITT, was doing there and to determine the extent of its capability and willingness to intensify the economic problems already becoming apparent there.

Q Did Mr. Broe continue these contacts after Allende was inaugurated?

A Yes, on a sporadic basis, but they consisted of general discussions about the Latin American situation and did not cover any specific proposals or activities regarding Chile or any other country for that matter.

Q Has the Agency had any other contacts other than Mr. Broe's with ITT on Chilean matters?

A An Agency representative in Latin America did discuss the security of the ITT funding program during the 1970 presidential elections with ITT representatives. This, as noted before, was in order to avoid taking chances on giving Allende an exploitable issue during the campaign. [REDACTED]

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[REDACTED]

g. Did in fact ITT and CIA consider triggering a coup by economic pressures or other means?

-- Coup talk abounded amongst the Chileans in the period between Allende's plurality at the polls (4 September) and his election by Congress (24 October) and his inauguration (3 November). Our intelligence indicated this was a quite remote possibility despite all the discussion about it. It was also clear from our reporting that Frei and all the major military leaders were very much opposed to any abrogation of the constitutional process.

-- The major U.S. objective [REDACTED] was to have Allende enter office by as narrow a vote in the formal Congressional elections as possible; then neither he nor his constituency would think he had a strong enough mandate to move quickly on a number of key Marxist measures which would, as he had promised, make Socialism irreversible in Chile. Instead, in political terms, he would have to feel his way along cautiously.

-- In the end, we were counting on the fact that the economic results of his actions (raising wages, nationalizations, inflation, flight of capital, etc.) would eventually take

their economic toll and catch up with him, and this is pretty much what has happened in the last year and a half. Ultimately, we expected this would cause him to lose some of his fringe political support and render him incapable of pursuing his Marxist goals.

-- In short, we thought his economic policy would be his ultimate undoing and that a coup was not feasible at all.

h. Did the Agency make approaches to members of the Armed Forces in an attempt to provoke an armed uprising?

-- No, we were in contact for intelligence gathering purposes only -- as we are expected to be. It was clear, despite the loose coup talk around, that the Chilean military were constitutionally oriented. [REDACTED] did talk coup to three key Chilean military officers [REDACTED] as did [REDACTED]

i. Did the Agency have contact with General Viaux or offer him material assistance and support?

-- No, but we were watching him closely through intelligence sources. He had tried, unsuccessfully, to instigate a coup in October 1969 from Tacna, a garrison town in the interior of Chile. He was retired shortly after that and, at the time of Allende's election a year later, he was on the outside and did not have appeal to the active duty military. (In fact, we were in contact with some of his supporters trying to foment

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[REDACTED]

m. Was the CIA in touch with President Frei at that time?

No.

Our information at that time was that Mr. Frei was subjected to many pressures from fellow Chileans to do something to stop Allende from becoming president. Ultimately Mr. Frei and his party decided to vote for Mr. Allende when Congress met on 24 October 1970 to select the president.

[REDACTED]

[REDACTED]

[REDACTED]

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[REDACTED]

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